

SECURITY AND SOURCES OF PAYMENT FOR THE OBLIGATIONS

Ad Valorem Property Tax Security

The basic security for the unvoted general obligation debt of the County is the County's ability to levy, and its pledge to levy, an ad valorem tax on all the taxable property in the County within the ten-mill limitation, imposed by the Ohio Constitution and laws, for the County and overlapping political subdivisions (described in detail under "Indirect Debt Limitations"), in sufficient amount to pay, as the same becomes due, the principal of and interest on the outstanding unvoted general obligation bonds, bond anticipation notes and certificates of indebtedness of the County and the overlapping subdivisions. The laws of the State of Ohio require that the levy for debt service has priority over any levy for current expenses within such ten-mill limitation.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a state's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the County. Under the Bankruptcy Code, and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

The Bankruptcy Code protects holders of municipal revenue bonds by providing that special revenues acquired by the eligible entity after the commencement of bankruptcy proceedings remain subject to any lien resulting from any security agreement entered into by the eligible entity before commencement of the proceedings.

Section 133.36 of the Ohio Revised Code permits a political subdivision, such as the County, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, and upon approval of the State Tax Commissioner, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. The taxing authority of such subdivision may, upon like approval of the State Tax Commissioner, refund its outstanding securities, whether matured or unmatured, and exchange refunding bonds for the securities being refunded. In its order approving such refunding, the State Tax Commissioner shall fix the maturities of the bonds to be issued, which shall not exceed thirty years. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

The basic security for the voted general obligation debt of the County is the authorization of County electors to levy ad valorem taxes on all County real and personal property subject to ad valorem taxation by the County. The tax is to be in sufficient amount to pay (to the extent not paid from other sources), as it becomes due the debt service on the voted

bonds, subject to the 3%, 1½%, 2½% limitation discussed in "County Debt and Other Long-Term Obligations" below affecting creditors' rights.

Ohio law requires the levy during the period in which general obligation bond anticipation notes run of ad valorem property taxes in an amount not less than that which would have been levied if bonds had been issued without the prior issue of the notes. Such levy need not actually be collected if payment in fact is to be provided from other sources (see "Bond Anticipation Notes" herein).

Sources of Payment

In addition to the basic ad valorem property tax security described above, each resolution authorizing the issuance of the County's general obligation bonds or notes issued in anticipation thereof provides further security by making a pledge of the full faith, credit and revenues of the County for the payment of debt service on such bonds or notes as the same becomes due. Included in such general pledge are all funds of the County, except those specifically limited to another use or prohibited from use for such debt service by the Ohio Constitution, or Ohio or federal law, or revenue bond trust agreements, such as tax levies voted for specific purposes, taxes levied for debt service on voted general obligation bond issues, and certain utility revenues. As discussed herein, only voted general obligations are payable from unlimited ad valorem property taxes.

The County expects that the debt service on certain unvoted general obligation debt of the County will in fact be paid from sources other than the ad valorem property tax, such as utility revenues and special assessments. Should these other revenues for any reason become insufficient to pay debt service on the bonds described above, and on any notes issued in anticipation thereof, then the County is required by Ohio law to levy and collect the above-described ad valorem taxes to pay such debt service.

In addition, pursuant to Section 133.08 of the Revised Code, the County may issue Revenue Bonds payable solely from the revenues of the given utility, airport, stadium, or other project permitted by the statute for which the bonds were issued. These bonds are not supported by the underlying taxing power of the County.

INVESTMENT CONSIDERATIONS

All obligations of the County are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial position of the County.

Prospective purchasers of the County's obligations may need to consult their own tax advisors prior to any purchase as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition.

With regard to the risk involved in a lowering of the County's bond rating, see the section on RATINGS herein.